

MARLIN TOP LINE BUSINESS REPORT - March 1997 N.Y. Metro Region

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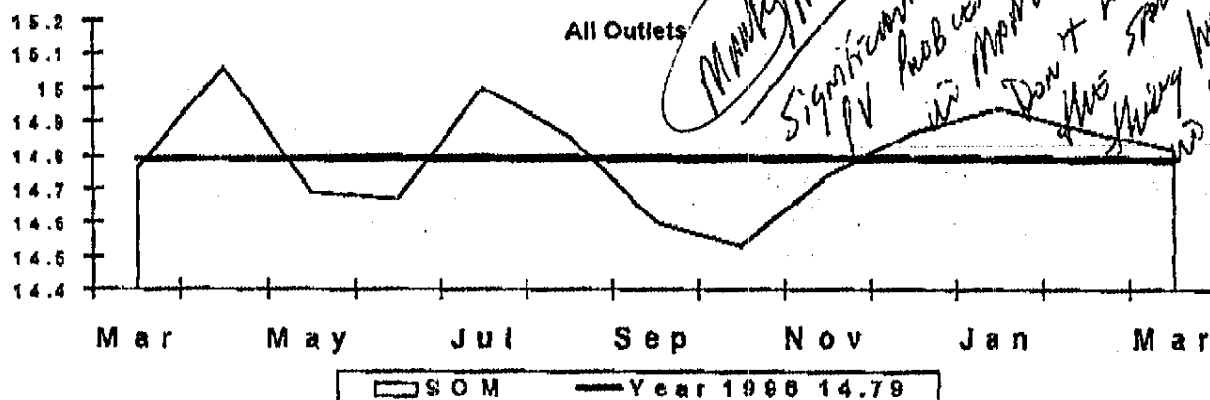
N.Y. Metro - Month to Month SOM / SOC Change

Criteria	Level AO	AO	C/G	SM	O/O
RJR Full Price	14.82	-0.06	-0.71	-1.15	0.19
Winston	4.19	-0.09	-0.34	-0.47	0.01
Camel (XNF)	2.78	-0.07	-0.22	-0.06	-0.03
Salem	4.97	0.02	-0.08	-0.04	0.04
RJR SOSavings	25.71	-0.10	-0.88	-0.05	0.35
Doral	12.55	-0.01	-0.07	0.72	-0.11

Six Month Trend

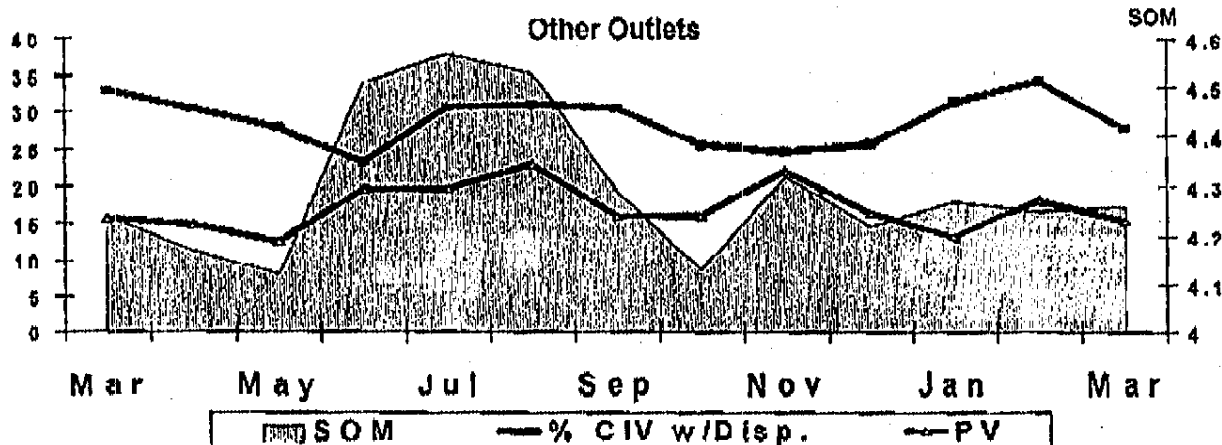
AO	C/G	SM	O/O
0.05	0.00	-0.20	0.09
0.00	-0.01	-0.08	0.01
0.11	0.06	0.00	0.13
-0.05	0.03	0.04	-0.03
0.54	-0.80	0.30	1.09
0.41	-0.10	0.23	0.62

RJR Full Price



RJR Full Price experienced a share decline across All Outlets in March. Supermarkets and Convenience Gas drove this decline as Industry Full Price grew in these outlet types, while RJR Full Price shrank. In other Outlets we outperformed Industry as it fell (-0.14) while RJR grew (+0.19). This positive performance in O/O was not enough to offset the significant weakness in the CG and SM classes of trade. The weakness in CG has taken our previously positive six month trend and turned it flat.

Winston

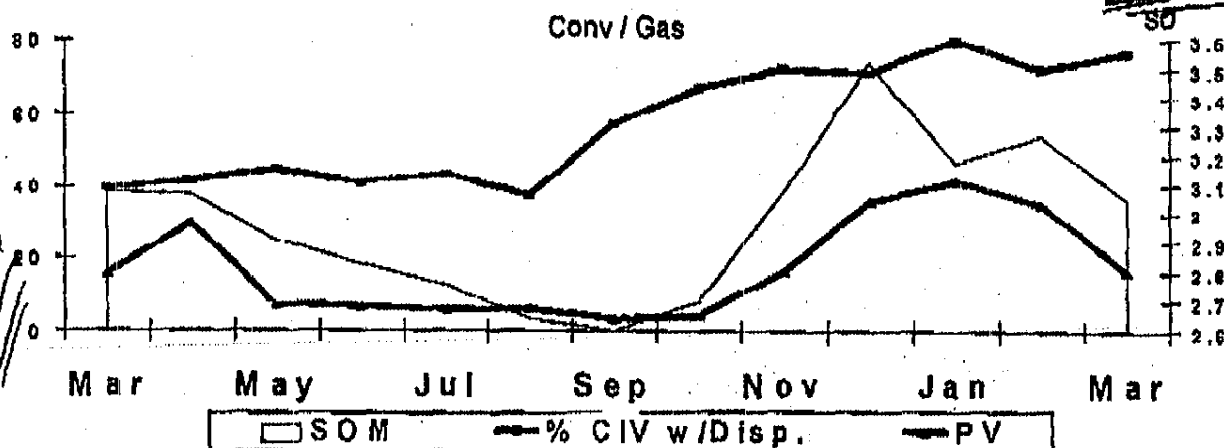


Winston share fell across All Outlets during March driven by weak performance in CG while we maintained our share in O/O. We reduced the amount of cigarettes we promoted and we had our promotions and displays in slightly fewer stores than in February and our share remained relatively flat in O/O. Although we slipped on these key drivers of the business during a critical Plan B period, we out executed Marlboro which was a factor in us holding share in O/O while they lost (-1.11). Even though our promotions were in less stores than in February we achieved twice the marketplace penetration with promotion vs. Marlboro. PM promoted more Marlboro volume in March but they did not effectively drive that promotion into the marketplace in O/O. In CG we had promotions in fewer stores, we slightly reduced our displays but the amount of product we promoted dropped off considerably. In February we promoted over 40% of Winston's volume in CG. During March that number fell to less than 14%. This significant drop off in promoted volume was the key driver in us losing share in this class of trade. SM were a major factor in Winston's loss during March as we were unprotected vs. Marlboro in our PM Ex. chains i.e. A&P and Grand Union.

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Results versus Plan

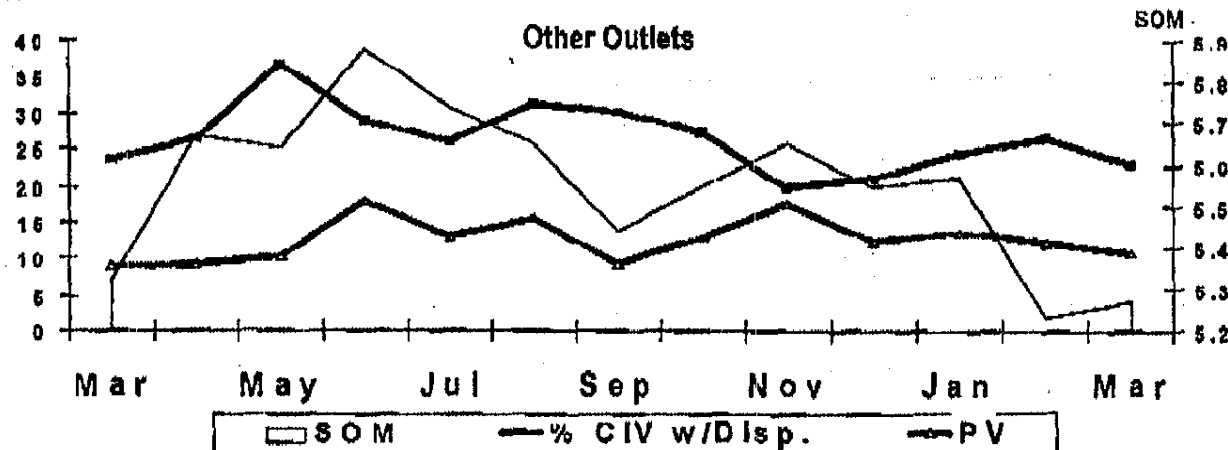
Continue to drive distribution, display and promoted volume into lower volume calls via territory reps. All divisions continuing to improve Box style distribution and display as our marketplace dictates that this is the preferred packaging of competitive smokers. Ensure Select distribution and display is maintained where opportunities are present as Select continues to trickle away negatively impacting our overall Winston performance. — *We must make up during Plan B periods*

Camel (XNF)

Camel slipped across all outlet types in March driven by substantial weakness in CG. Our promotional penetration slipped slightly in CG vs. February, while at the same time we increased our Camel displays. As with Winston we experienced a significant drop off in our promoted volume which pulled our share down right along with it. Throughout the 4th quarter of 1996 we successfully built our display base, promotional penetration and promoted volume in CG, for which we were rewarded with a strong share gain. We have continued to build our display presence but have experienced a setback in the amount of product we are promoting and how well we are penetrating the market with that promotion. We need to build and maintain strong promoted volume levels in CG in order get back on the growth track. Camel continues to show strength in O/O. Although we slightly slipped month to month in this trade class we maintained a majority of the (+0.40) we gained in O/O during February. We did this by maintaining our promoted volume level and display placements while driving our promotions to more stores.

Results versus Plan

Continue focus on improving Box style distribution and display. Region has developed a plan to significantly increase core Box style distribution via Territory Reps and DPC.

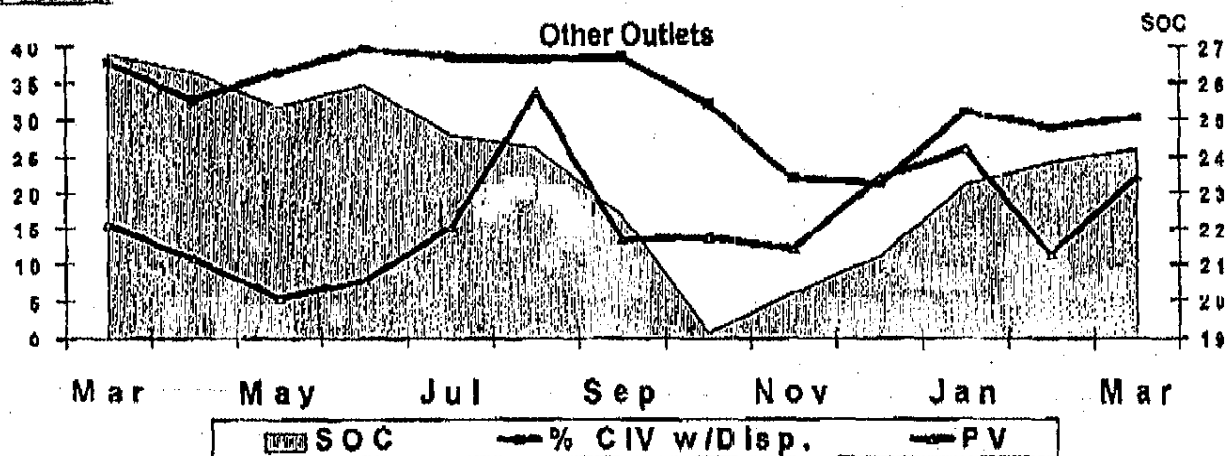
Salem

Salem had a slight share gain across All Outlets which was driven by an upturn in O/O vs. February. The menthol category is showing consistent growth in the region. In fact, the menthol category is up 1 full share point over the last six months and now accounts for 33% of all cigarettes sold in the region. We need to ensure that Salem keeps up with this growth. Although the menthol category has been growing over the last six months, Salem has been losing SOM. All three major menthol players showed growth in O/O during March. Even though we slipped slightly in the amount of product we promoted and how well we penetrated the market with promotion and display, Salem's volume base was large enough to capitalize on the menthol growth and give the brand a slight lift vs. February. It appears that Salem had a positive month in O/O based on (+0.04) growth, but the menthol category grew (+0.42) so Salem actually under performed industry menthol. We must ensure that we aggressively strive to meet Salem's promoted volume objectives, based on the 1997 pricing strategy. The amount of product we promote is a key driver in Salem's share performance.

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Results versus Plan

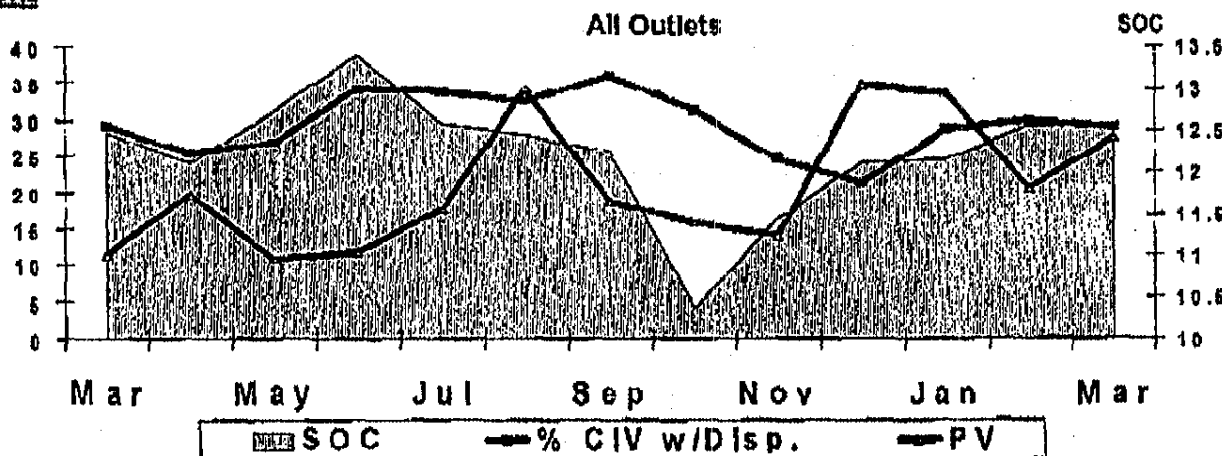
Ensure Salem is aggressively worked under the 1997 pricing strategy guidelines. Promoted volume is a key driver in Salem's success. Ensure clear consumer communication on all promotional pricing. Let them know that there is a deal on Salem. The menthol category continues to grow and Salem needs to, at the very least, keep up with this growth.

RJR Savings

RJR Savings lost Share of Category across All Outlets as the Savings category grew at a faster rate than RJR brands. SOM for RJR Savings was relatively flat (+0.01) but the category grew (+0.06). Savings now account for 7.74% of all of the cigarettes sold in the region. Monarch showed the best performance among RJR Savings brands driven by a significant increase in the amount of product on display in CG. Doral's performance was relatively flat which left it behind the growing category. Forsyth brands accounted for the majority of our savings loss (-0.31). Forsyth's weakness came from an extremely poor month in CG (-0.84). There was less Forsyth promotion, less displays and our promotions were in less stores vs. February. RJR Savings continued its positive performance in O/O as we successfully promoted more cigarettes in more stores while slightly increasing our display presence.

Results versus Plan

Continue to build distribution, display presence and promoted volume levels according to ceiling strategy. Ensure Forsyth brands are in distribution and displayed in all calls with opportunity. Retail Reps should ensure Forsyth availability, display and presence in authorized CG chains, i.e. Merit Oil and Quick Check.

Doral

Doral Share of Savings was relatively flat across All Outlets due to strong performance in SM offsetting slight declines in CG and O/O. Across A/O we maintained our displays and promotional penetration fairly consistent with February while increasing the amount of product we promoted. In SM we significantly increased the amount of Doral product promoted and spread that promotion more effectively across the market. We benefited from a Price Plus scanner buydown run in Shop Rite during the first eight days of March. The big difference in SM is our ability to work the ceiling strategy in Pathmark which began in March with the implementation of our Meeting Competition Shelf Contract.

Results versus Plan

Improve Doral distribution to at least the level of our #1 competitor Basic. Doral is currently at parity in regards to distribution with GPC but our better display presence has maintained our share at a higher level. Ensure that Doral is represented with distribution and display in all calls selling savings brands. Focus on the brand styles that offer the greatest opportunity in each call.

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